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Nigeria

Oilseeds and Products

Soybean Situation Report

2005

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Report Highlights:

Growth in Nigeria's soybeans output lags behind the demand for soybean meal by poultry producers and for vegetable oil by crushers. Local sources indicated that Nigeria's soybean meal output in 2005/06 would be approximately 200,000 MT, which is well below projected industry demand of about 300,000 MT. Imports soybeans and soybean meal are expected to increase in MY2005/06.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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Executive Summary

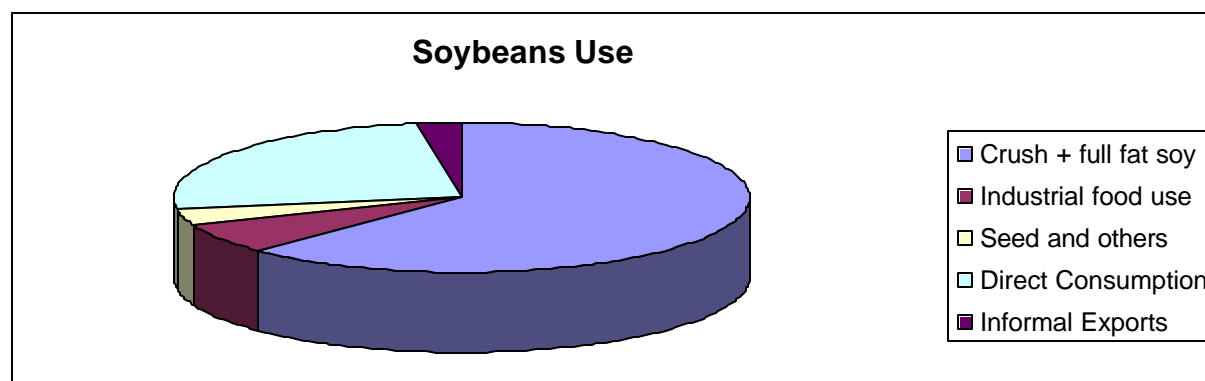
The rapid growth witnessed in the poultry sector in the past five years and the GON's import ban on all types of vegetable oil has boosted demand for soybean meal and soybean oil respectively. The growth in poultry production (about 40 percent per annum) has increased the demand for soybean meal, a vital and preferred source of protein in compound feed. In addition, soybean crushers in the country are unable to satisfy the growing demand for vegetable oil. Imports of vegetable oil are banned by the GON, despite a domestic supply shortfall of close to 300,000 tons annually. Overall, Nigeria's output of soybeans is not keeping pace with the rapid growth in demand.

Nigeria's overall compound feed production in MY2005/06 is forecast at approximately 1.5 million MT, up from 1.2 million MT in 2004/05. This calls for 300,000 tons of soybean meal at a minimal inclusion rate of 20 percent. Soybean meal output during the period is not expected to exceed 200,000 tons leaving a shortfall 100,000 tons. Nigeria offers excellent market opportunities for US exporters of soybeans and soybean meal, especially if priced competitively.

Exchange Rate: US\$1 = 130 Naira

Consumption

SOYBEAN USE 2004/05	QUANTITY	PERCENTAGE
Crush + full fat soy	250,000	62.5
Industrial Food use	25,000	6.3
Seed and Others	15,000	3.7
Direct Consump. + Residuals	100,000	25
Informal Exports	10,000	2.5
Total	400,000	100



Sources: Central Bank of Nigeria Annual Report and industry estimates

Crush---- Nigeria's installed annual soybean crushing capacity is estimated at approximately 450,000 MT. An estimated 250,000 tons of soybeans was crushed in MY2004/05, representing 40 percent of installed processing capacity. Eight large processors account for nearly 60 percent of Nigeria's soybean crushing industry. Soybeans are crushed to obtain oil (for industrial and refined for food use) and soybean meal/cake for animal feed. At present, soybean oil represents a major complement to palm oil in the domestic supply picture for edible vegetable oil. The soap industry is a major user of soybean oil although significant quantities are also used by the local paint industry for making printing ink and cosmetic products. Beginning in 2004, the GON prohibited the imports of all categories of vegetable oil, despite the fact that there is a domestic shortfall of more than 300,000 per annum.

Soybean meal is the dominant and preferred protein ingredient in poultry feed rations. It should be noted that estimates of soybean processed include full-fat soybeans used by some poultry operators. During harvest when prices are low, poultry operators use substantial quantities of full-fat soybeans to raise broilers. According to industry estimates, Nigeria's soybean meal requirement in MY2005/06 is forecast at 300,000 MT (approximately 360,000 MT bean equivalent). Actual meal output from local crushers is forecast at 200,000 MT (approximately 240,000 MT in bean equivalent). The industry would prefer soybean meal inclusion rate of 30 percent in compound feed, but the high cost of the product is forcing producers to reformulate in favor of low quality substitutes such as peanut cake, cottonseed and palm kernel meal.

Industrial Use---- Leading infant food manufacturers in the country use soybeans because of its high nutritional value. Soybeans are also processed into powder for consumer

convenience. Soybean oil is used in the local paint, cosmetics and soap making industries and it is a major complement to palm oil in the domestic supply picture for edible vegetable oil.

Household---- Direct human consumption of soybeans is significant in Nigeria, especially among rural low-income groups that cannot afford other alternative protein sources such as meat, fish and eggs. Beginning in the early 1990s, the International Institute of Tropical Agriculture (IITA) promoted the use of protein-rich soybeans in everyday foods to curb malnutrition. The IITA estimates the cost of protein, when purchased as soybean to be only about 10 - 20% of the cost of protein from meat, eggs, fish or milk. Soybeans are now widely consumed and are readily used in the production of soymilk, soy cake, soy yogurt and the fortification of local carbohydrate-based Nigerian food staples. Dawadawa, a local food seasoning is also produced from soybeans. Government sources estimate that about 25 percent of Nigeria's domestic production is consumed directly in rural areas as human food. (Note that residuals of disappearances not accounted for in industrial use are included here).

Prices

Local soybean meal prices have for the last three years been more than double international prices because of the tight domestic supply. At present, the price of soybean meal has increased to 60,000 naira per metric ton (about \$462), up from 30,000 naira per metric ton (about \$227) three months ago.

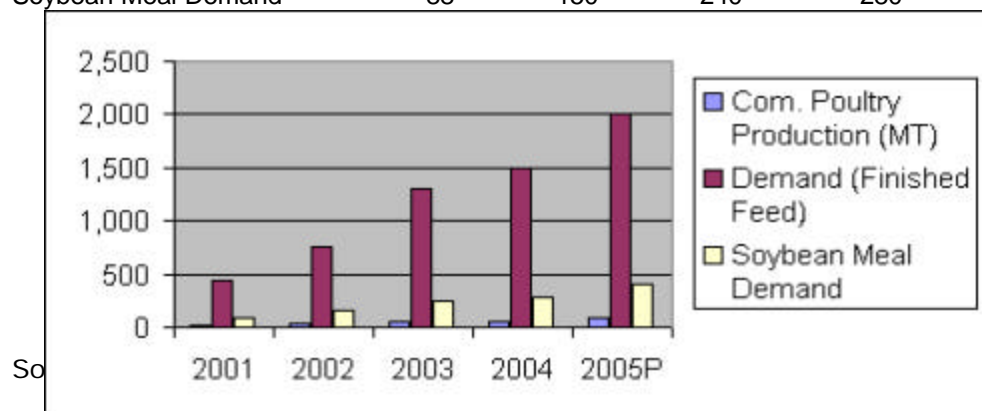
Trade

Nigeria began importing of soybean meal in 1999. Prior to this, the local feed industry was able to secure adequate supplies of soybean meal from the oilseed processing sector. Based upon Post's survey of the feed industry, we estimate that Nigeria can import 100,000 MT of soybean meal in 2005/06.

U.S. soybean exporters should explore market opportunities in Nigeria. The office of Agricultural Affairs can be contacted to identify credible Nigerian importers. Exporters can also arrange to meet with leaders of the Nigerian poultry industry at the annual International Poultry Exposition, Atlanta.

Poultry Production/Feed Requirement

'000	2001	2002	2003	2004	2005P
Com. Poultry Production (MT)	17	30	50	56	84
Demand (Finished Feed)	440	750	1,300	1,500	2,000
Soybean Meal Demand	88	150	240	280	400



The import duty on soybeans and soybean meal for animal feed is 15 percent.

Marketing

The Office of Agricultural Affairs is collaborating with the Poultry Association of Nigeria to encourage group purchases of U.S. soybeans, utilizing USDA export credit facilities. Feed millers in Nigeria are familiar with the higher quality of U.S. soybean meal, especially with protein levels exceeding those commonly seen for EU products. Market opportunities of about 100,000 MT of soybean meal exist for U.S. exporters.